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LOAN SERVICES OF THE FARMERS HOME ADMINISTRATION

The objective of the Farmers
Home Administration is:

to enable farm families
to become soundly estab-
lished in successful,
well-balanced, systems
of farming.

R. B. McLeaish
R. B. McLeaish
Administrator



U. S. Department of Agriculture
Farmers Home Administration

Washington, D. C.
November, 1955

GENERAL INFORMATION

1. Loans are made only to farmers unable to obtain credit at reasonable rates and terms from private and cooperative lenders.
2. Borrowers are requested to finance their loans with other lenders at the earliest possible date.
3. All loan applications must be approved by local County Committees.
4. Funds for Farm Ownership and Soil and Water Conservation loans may be provided by private lenders and fully insured by the Government.
5. Applications for all loans, insured or direct, are made at the local county offices of the Farmers Home Administration.
6. The Farmers Home Administration is authorized to make five different types of loans. These loans are briefly described on the following pages.

PRODUCTION AND SUBSISTENCE LOANS (P&S) ARE USED TO OBTAIN
RESOURCES FOR BECOMING SUCCESSFULLY ESTABLISHED IN FARMING

An Eligible Applicant Must:

1. Be a citizen of the United States and of legal age.
2. Be unable to obtain necessary credit from other sources at reasonable terms.
3. Have sufficient experience to indicate necessary farm management ability.
4. Plan for full-time farming when adjustment is completed.
5. Own or rent adequate land resources to carry on successful farming operations.
6. Plan for system of farming to provide adequate volume of production.
7. Have a desire to learn and use recommended farm management practices.

P&S Loans Are Made To Eligible Applicants For:

1. The purchase of essential farm equipment and productive livestock.
2. The payment of necessary farm operating and family living expenses.
3. The making of minor real estate improvements.
4. The payment of secured debts on livestock and farm equipment when necessary in connection with a loan for other purposes.

Farm Management Guidance Is Provided By Capable And
Friendly Supervisors In:

1. Development of long time farm and home plans.
2. Development of annual farm and home plans.
3. Establishment of bank account for loan funds when desirable.
4. Making on the farm visits and keeping farm and home records.
5. Making yearly analysis of farm and home business to find ways of increasing income.
6. Planning wise use of income.

P&S Loan Terms And Repayment Policies Are:

1. Interest is 5% on unpaid principal.
2. Single loans up to \$7,000 if total P&S debt will not exceed \$10,000.
3. Amount borrowed for operating expenses to be repaid from the crop year's income.

4. Amount borrowed for capital goods scheduled for repayment in annual installments not to exceed 7 years.
5. Amount and time of repayment determined by availability of income for debt payment.
6. No additional P&S loans can be made after 7 years continuous indebtedness.

P&S Loans Are Secured By:

1. First liens on productive livestock and farm equipment purchased or refinanced.
2. Best liens obtainable on productive livestock and farm equipment owned.
3. First lien on crop and assignments on some items of income.
4. Subordination agreements by landlords when needed.
5. Necessary supervision by County FHA Supervisor.

FARM OWNERSHIP (FO) LOANS ARE USED TO ASSIST FARM FAMILIES TO BECOME SUCCESSFULLY ESTABLISHED ON ADEQUATE FAMILY-TYPE FARMS

To Be Eligible For A Farm Ownership Loan, An Applicant Must:

1. Be a citizen of the United States and possess legal capacity to contract for a loan.
2. Possess the necessary experience or training and managerial ability to operate a family-type farm.
3. Unless a veteran, obtain or recently have obtained a major portion of his income from farming operations.
4. Possess honesty, integrity, industry, and a reputation for paying his debts.
5. Have resources of livestock, machinery, equipment, and operating capital to successfully operate the farm or have available a source of credit for acquiring such resources.
6. Indicate that he will endeavor honestly to carry out recommended farm management practices.
7. Be, or plan to be, when the loan is closed, a full-time farmer.
8. Be unable to obtain necessary credit from other sources at reasonable terms.
9. Not have, or will not have, when the loan is closed, excessive non-real estate debts.

Loan Funds May Be Used To:

1. Purchase an adequate family-type farm or purchase land to enlarge an undersized farm.
2. Provide necessary water, water stock, and water facilities.
3. Provide basic land and soil improvements.
4. Construct, repair, and improve buildings necessary for the successful operation of the farm.
5. Refinance debts on a farm owned by an applicant when such refinancing is not the primary purpose of the loan.
6. Acquire all facilities and improvements generally considered a part of the real estate.
7. Pay authorized fees, costs for technical services, and expenses required to be paid by the purchaser in connection with securing and closing the loan.

Farm and Home Management Assistance Is Extended With Each Loan To:

1. Aid in development of farm and home plans.
2. Assist with the keeping of records and analyzing the farm and home business.
3. Assist with the establishment of the planned system of farming.
4. Encourage adoption of approved farm and home practices.
5. Aid in completion of farm development work.
6. Assure that security property is properly maintained.
7. Assure that debts are repaid in an orderly manner.

Loan Terms and Repayment Policies Are:

1. On insured loans, $3\frac{1}{2}$ percent interest and 1 percent loan insurance charge on the unpaid principal.
2. On direct loans, $4\frac{1}{2}$ percent interest on the unpaid principal.
3. Payment will be made in accordance with agreements and the borrower's ability to repay with encouragement to pay ahead of schedule.
4. All loans are for 40 years except that building improvement loans may be made for shorter periods.
5. When private credit can be obtained, loans will be re-financed.

Special Requirements Are:

1. Loans are made only on family-type farms personally operated by the owner.
2. Loans cannot exceed the county average value of efficient family-type farms.

3. Loans cannot exceed the value of the farm established by the FHA County Committee based on an earning capacity appraisal report.
4. Insured loans are limited to either 90 percent of the County Committee's valuation of the farm or 90 percent of the total cost of acquiring the farm, whichever is less.

Security Requirements Are:

1. First real estate mortgage only for an insured loan.
2. First or second real estate mortgage for a direct loan.
3. Buildings insured against loss by fire or other casualties.
4. Real estate taxes must be paid.

SOIL AND WATER CONSERVATION (SW) LOANS ARE MADE
TO IMPROVE, PROTECT, AND MAKE BETTER USE OF FARM LAND

To Be Eligible For A SW Loan, An Applicant Must:

1. Be a citizen of the United States and possess legal capacity to contract for a loan.
2. Be an owner or operator of a farm.
3. Have farming operations comparable to those of persons primarily engaged in farming.
4. Be unable to obtain necessary credit from other sources at reasonable terms.

SW Loan Funds May Be Used For:

1. Carrying out approved soil and water conservation and use practices, improving permanent pastures, developing irrigation and drainage systems.
2. Acquiring essential equipment to carry out soil and water conservation and use practices.
3. Obtaining water, domestic water supplies, water stock, and water facilities.
4. Purchasing land or an interest therein for sites or rights-of-way upon which a water or drainage facility will be located.
5. Paying authorized fees.

Loan Terms and Repayment Policies Are:

1. For insured loans, $3\frac{1}{2}$ percent interest and 1 percent mortgage insurance charge on the unpaid principal balance.
2. For direct loans, $4\frac{1}{2}$ percent interest on the unpaid principal balance.
3. Loans are repayable in 1 to 20 years, depending on ability to pay and security given.
4. Repayments are scheduled in equal annual installments except that, when necessary, the first or second installment may be scheduled for interest only.
5. Loans to individuals cannot exceed \$25,000.

Special Requirements Are:

1. Loans are made only when the use and disposal of water complies with Federal, state, and local laws and regulations.
2. Supervisory assistance is given to the extent necessary to assure repayment of the loan, establishment of the improvement or facility, and maintenance of the security property.
3. Practices financed only when in accordance with Extension Service and Soil Conservation Service recommendations.
4. Each applicant is responsible for obtaining plans, specifications, and cost estimate for the planned improvement or facility.
5. When real estate is taken as security, property insurance will be required.

Security Requirements Are:

1. Sufficient security will be given to protect the Government's interest.
2. Short-term loans are secured by either a real estate mortgage, chattel mortgage, or both.
3. Long-term loans are secured by real estate mortgages.

SPECIAL LIVESTOCK LOANS ARE USED TO PROVIDE EMERGENCY CREDIT
TO ESTABLISHED PRODUCERS OF CATTLE, SHEEP, AND GOATS

To Be Eligible An Applicant Must:

1. Be an established producer of cattle, sheep, or goats.

2. Be unable temporarily to obtain needed credit from banks or other responsible sources.
3. Have a good past record of livestock operations.
4. Have the resources, experience, and management ability deemed necessary for the success of the operation.
5. Have a reputation for honesty, integrity, and paying his debts.
6. Be approved by the Special Livestock Loan Committee.

Special Livestock Loans Are Made To:

1. Purchase or produce feed for livestock owned.
2. Pay essential operating expenses, including labor and living costs.
3. Purchase of livestock for replacement or restocking.
4. Pay grazing fees and rent for pasture and land on which feed is produced.
5. Hire, repair and replace farm or ranch equipment and machinery.
6. Build or repair fences.
7. Transportation of livestock, including to and from grazing lands.
8. Repair or improve water supplies necessary to the livestock operation.
9. Pay cost of normal maintenance of farm and ranch buildings.

Loan Terms and Repayment Plan:

1. Interest is 5 percent from the date of the advance on the unpaid principal balance.
2. Repayment is scheduled in accordance with the applicant's repayment ability.
3. No loan may be scheduled for payment over a period of more than 3 years.

Security Requirements:

1. Each loan will be secured for its full amount.
2. Loans to corporations or other business organizations will be secured by the personal obligation of each person owing 10 percent or more of stock.
3. The best lien obtainable on all livestock and equipment owned when the loan was made.
4. A first lien on all livestock and equipment purchased with loan funds.
5. The best lien obtainable on all crops.
6. When necessary, the best lien obtainable on all real estate.

7. Nondisturbance agreements from all creditors.
8. An agreement with prior lienholders for a division of income sufficient to assure repayment of the Government's loan.

Special Livestock Loans May Not Be Made To:

1. Refinance existing debts.
2. Produce cash crops.
3. Finance a commercial feed lot operation.
4. Enable a borrower to expand substantially his normal operations.

EMERGENCY LOANS ARE USED TO ASSIST A FARMER IN OVERCOMING
LOSSES DUE TO AN EMERGENCY TO THE EXTENT THAT HE MAY BE
ABLE TO RETURN TO PRIVATE SOURCES OF CREDIT

To Be Eligible An Applicant Must:

1. Be an established farmer in a designated emergency area.
2. Be engaged primarily in farming or livestock production.
3. Be unable to obtain credit necessary to continue his normal operation.
4. Have the necessary experience to conduct farming or livestock operations.
5. If applying for a production emergency loan, have suffered substantial loss due to the emergency.
6. Have reasonable prospects of repayment and return to private credit.
7. Be recommended by the County Committee, two members being farmers.

Purposes For Which Emergency Loans Are Made:

1. To purchase feed, fuel, seed, fertilizer, and farm and home supplies.
2. To replace livestock lost in the disaster.
3. To replace or repair farm and home equipment.
4. Replace or repair buildings, fences, drainage or irrigation systems damaged as a result of the emergency.
5. To level land and remove debris resulting from the emergency.
6. Payment of current taxes on real property when necessary
7. Payment of water charges necessary to the operation.

8. Minor repairs or improvement of farm water supplies.
9. Payment of labor, machinery hire and other essential expenses.

Emergency Loans May Not Be Made To:

1. Refinance existing debts.
2. Pay cash rent.
3. Enable borrower to expand his normal operations.

Loan Terms and Repayment Plans:

1. Interest rate of 3 percent on unpaid principal balance.
2. Loans for production of crops repaid as crops are sold.
3. Loans for feed repaid as livestock or livestock products are sold.
4. Loans for replacement of equipment, building repairs, etc., may be scheduled over a longer period.

Security Requirements:

1. All emergency loans will be secured to the full amount.
2. A first lien on crops produced with loan funds.
3. A first lien on livestock and equipment purchased with loan funds.
4. The best lien obtainable on all other crops.
5. When necessary, the best lien obtainable on livestock and equipment.
6. Assignment of income from sale of livestock products.
7. When necessary, the best lien obtainable on real estate.
8. Agreement for division of income when livestock is subject to a prior lien.
